

Message Text

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ACTION EB-08

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NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04
ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 /096 W
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FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 3196

UNCLAS SECTION 1 OF 2 MONTEVIDEO 0568

PASS STR AND ITC

E.O. 11652: N/A

TAGS: ETRD, UY

SUBJ: NON-RUBBER FOOTWEAR: GOU CALLS IN

AMBASSADOR ON ITC IMPORT RESTRAINT PROPOSAL

REF: (A) MONTEVIDEO 0541, (B) MONTEVIDEO 0542,

(C) MONTEVIDEO 0544, (D) MONTEVIDEO 0545

SUMMARY:

FOREIGN MINISTER ROVIRA CALLED IN THE AMBASSADOR TO
COMMUNICATE THE GOU'S EXTREME CONCERN OVER THE POSSIBLE
U.S. IMPOSITION OF RESTRAINTS ON THE IMPORT OF SHOES
FROM URUGUAY. WHAT FOLLOWS IS A SUMMARY AND THEN THE EXT IN
FULL OF THE NOTE GIVEN TO THE AMBASSADOR.
END SUMMARY.

SUMMARY OF THE GOU'S ARGUMENTATION

1. ADOPTION OF THE ITC'S RECOMMENDATION ON SHOES WOULD
CONSTITUTE A REVERSAL OF THE U.S. POLICY OF MAINTAINING
OPEN INTERNATIONAL TRADE.

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2. THE ITC PROPOSAL DOES NOT ACCORD WITH PROVISION
203 (G) (3) OF THE 1974 TRADE ACT WHICH ARGUES AGAINST
U.S. MEASURES TENDING TO FIX MARKET DOMINANCE IN THE
HANDS OF A RELATIVELY SMALL NUMBER OF EXPORTERS.

3. THE MEASURE IS DISCRIMINATORY IN THAT WHILE THE
WEIGHT OF ADDED TARIFF CHARGES WOULD FALL ON ONE THIRD

OF THE IMPORTS FROM AN AVERAGE COUNTRY WITH A SET QUOTA, IT WOULD FALL ON NEARLY ALL OF CURRENT URUGUAYAN EXPORT PRODUCTION.

4. U.S. COMMITMENT TO INCREASING LDC PROCESSING OF ITS EXPORTS OF BASIC MATERIALS AND EXPORT DIVERSIFICATION RUNS COUNTER TO THE EFFECT THE ITC PROPOSAL WOULD HAVE ON URUGUAY.

5. FURTHERMORE, THE RESTRAINT PROGRAM PROPOSED WOULD NOT BE BASED ON A RECENT REPRESENTATIVE PERIOD AS REQUIRED BY SECTION 203 (D) (2) OF THE TRADE ACT, NOR WOULD IT BE APPROPRIATE USE OF THE SAFEGUARD PROVISIONS OF THE GATT ABSENT "UNFORESEEN DEVELOPMENTS."

6. THE GOU CONCLUDES WITH A FAVORABLE REFERENCE TO ALTERNATIVE MEANS OF RESOLVING U.S. SHOE INDUSTRY DIFFICULTIES BASED ON THE NEGOTIATION OF VOLUNTARY AGREEMENT UNDER SECTION 203 (A) (4) AND INVITES BILATERAL DIALOGUE ON MEANS TO AN AGREED SOLUTION.

FULL TEXT OF GOU NOTE

BEGIN QUOTE

"THE MINISTRY OF FOREIGN AFFAIRS PRESENTS ITS COMPLIMENTS TO THE HONORABLE EMBASSY OF THE UNITED STATES OF AMERICA AND HAS THE HONOR TO EXPRESS THAT IT HAS LEARNED OF THE RECOMMENDATION OF THE INTERNATIONAL TRADE COMMISSION WITH RESPECT TO THE SYSTEM OF THE IMPORTS OF SHOES BY THE UNITED STATES OF AMERICA AND,

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IN ACCORDANCE WITH THE VERBAL NOTES PRESENTED BY THE EMBASSY OF THE REPUBLIC IN WASHINGTON ON MARCH 4, 1976, JANUARY 12 AND 18, 1977, WISHES TO EXPRESS THE FOLLOWING:

K) ON APRIL 16, 1976, THE PRESIDENT OF THE UNITED STATES OF AMERICA, WITH REGARD TO A RECOMMENDATION LIKE THE ONE WHICH IS NOW BEING PROPOSED, EXPRESSED THAT THE AMERICAN SHOE INDUSTRY WAS ENJOYING A SUBSTANTIAL INCREASE IN PRODUCTION, SHIPMENT, AND EMPLOYMENT, AS A RESULT OF ITS ECONOMIC RECOVERY. THEREFORE, A LARGE NUMBER OF FACTORIES HAD REOPENED, AND THERE HAD BEEN AN INCREASE IN DOMESTIC ORDERS, AS WELL AS IN THE COMPANIES' PROFITS.

ACCORDING TO AVAILABLE INFORMATION, THE TENDENCY TOWARDS IMPROVEMENT OF THE DOMESTIC INDUSTRY'S SITUATION HAS BEEN MAINTAINED IN THE LAST PERIOD. THEREFORE, IF CONDITIONS REMAIN THE SAME, THERE IS NO JUSTIFICATION FOR THE ADOPTION OF IMPORT RESTRICTIONS, AS IT IS NOW BEING RECOMMENDED BY THE INTERNATIONAL TRADE COMMISSION.

II) THE RESTRICTIONS ON SHOE IMPORTS RECOMMENDED BY THE INTERNATIONAL TRADE COMMISSION CONSTITUTE A SERIOUS SETBACK

TO THE LIBERALIZATION OF INTERNATIONAL COMMERCE, WHICH CONTRADICTS THE AMERICAN POLICY OF PROMOTING THE DEVELOPMENT OF AN OPEN, JUST AND NON-DISCRIMINATORY WORLD ECONOMIC SYSTEM.

III) THE RECENT INCREASE OF AMERICAN IMPORTS OF SHOES, WHICH IS THE REASON THE INTERNATIONAL TRADE COMMISSION RECOMMENDS THESE RESTRICTIONS, CANNOT, IN ABSOLUTE TERMS, BE ATTRIBUTED TO URUGUAYAN EXPORTS SINCE THEY DID NOT COMPRISE ONE PERCENT OF THE TOTAL AMERICAN IMPORTS.

IV) THE INTERNATIONAL TRADE COMMISSION ADHERES TO THE THESIS OF FIXED QUOTAS WHICH ASSURE THE SITUATION OF THE PRINCIPAL EXPORTERS OF SHOES TO THE UNITED STATES OF AMERICA. THEREFORE, IT PROTECTS THOSE COUNTRIES WHO HAVE THE LARGEST DEVELOPMENT IN THIS INDUSTRY AND STOPS THE PROGRESS OF THOSE WITH A LOWER LEVEL OF DEVELOPMENT.

THIS POLICY CONTRADICTS THE PRINCIPLES THAT THE UNITED STATES OF AMERICA HAVE AFFIRMED AND SPREAD IN VARIOUS INTERNATIONAL FORA, AS WELL AS WHAT IS ESTABLISHED IN ITS OWN INTERNAL UNCLASSIFIED

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LEGISLATION (TRADE ACT, SECTION 203 (G) (I)) WHICH REJECTS THE CONCENTRATION OF THE MARKET AMONG A RELATIVELY SMALL NUMBER OF EXPORTERS.

V) THE SELECTION OF THE YEAR 1974 AS THE BASE YEAR FOR THE FIXING OF THE QUOTAS CAUSES A SPECIAL PREJUDICE TO URUGUAY, SINCE ITS SHOE EXPORTS TO THE UNITED STATES HAVE GROWN DURING THE PERIOD 1974-1976.

EXPORTS INCREASED APPROXIMATELY FROM 200,000 PAIRS IN 1974 TO MORE THAN 2,000,000 IN 1976, WITH A PROJECTED INCREASE TO MORE THAN 3,000,000 PAIRS IN 1977.

THE DECISION TO INCLUDE URUGUAY IN A QUOTA OF ONLY 2,667,000 PAIRS WITH SEVERAL OTHER COUNTRIES WILL BRING ABOUT THE RUIN OF THE URUGUAYAN INDUSTRY, WHICH HAS MADE LARGE INVESTMENTS TO ADAPT ITSELF TO THE TASTES AND REQUIREMENTS OF QUALITY AND PRICE OF THE US.

IF THE IMPORT FIGURES OF 1974 ARE TAKEN AS A MEASURE, IT WILL BE UNFAIR AND DISCRIMINATORY TO URUGUAY.

ACCORDING TO AVAILABLE FIGURES, IN 1976 THE US WOULD HAVE IMPORTED APPROXIMATELY 400,000,000 PAIRS OF SHOES. IF THIS AMOUNT WERE REDUCED TO THE 267,600,000 PAIRS ALLOWED IN 1974, THERE WOULD BE A REDUCTION OF 30 PERCENT.

THE MEASURE PROPOSED BY THE INTERNATIONAL TRADE COMMISSION INSTEAD OF IMPOSING THE SAME SACRIFICE ON ALL EXPORTERS, WOULD BENEFIT SOME BY INCREASING THEIR RECENT EXPORTS AND WILL PUNISH OTHERS WITH A QUOTA MUCH BELOW THEIR MOST RECENT SALES. AMONG

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TO SECSTATE WASHDC 3197

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THESE, THE COUNTRY MOST PREJUDICED AND DISCRIMINATED AGAINST
IS URUGUAY, WHO WOULD SEE ITS PRESENT CAPACITY DIMINISHED
FROM 90 TO 100 PERCENT.

VI) ON THE OTHER HAND, IT SHOULD ALSO BE REMEMBERED THAT IN
1973, USING UNDP FUNDS, URUGUAY MADE A STUDY OF THE INTER-
NATIONAL SHOE MARKET, AS A MENAS, AMONG OTHERS, OF PROMOTING
NON-TRADITIONAL EXPORTS. THE SUBSEQUENT DEVELOPMENT OF EXPORTS
IS A PROOF OF THE RESULTS OBTAINED IN THIS SECTOR. THE MEASURES
RECOMMENDED BY THE INTERNATIONAL TRADE COMMISSION WOULD
DESTROY THE MAJOR SUCCESS OBTAINED IN THIS AREA.

VII) URUGUAY RECALLS THAT THE US LAW
OF FOREIGN TRADE OF 1974 ESTABLISHED IN ITS SECTION 203(D)(2)
THAT AN YQUANTITATIVE RESTRICTION SHOULD ALLOW IMPORTS OF AN
ARTICLE AT A QUANTITY OR PRICE NOT LESSTHAN THE QUANTITY OR PRICE
OF THAT ARTICLE IMPORTED BY THE UNITED STATES IN THE MOST RECENT
PERIOD WHICH THE PRESIDENT MAY DETERMINE IS REPRESENTATIVE OF
IMPORTS OF THAT ARTICLE. AS A CONSEQUENCE, THERE SEEMS TO BE
NO BAISS WHICH MIGHT PERMIT 1974 TO BE FIXED AS THE MOST
REPRESENTATIVE YEAR FOR SHOE IMPORTS BY THE US, WHEN THE MORE
RECENT FIGURES OF 1976 ARE A TRUER INDEX OF THIS INTERCHANGE.

THE INCREASE OF IMPORTS ONLY AS A CONSEQUENCE OF THE
BETTER PRICES OF FOREIGN INDUSTRY, OR AS A RESULT OF MAJOR COMMERCIAL
EFFORTS, IS NOT ENOUGH TO QUALIFY A PERIOD AS REPRESENTATIVE. ON
THIS MATTER, THERE ARE ALREADY ANTECEDENTS IN THE UNITED STATES.
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IF, AS IT APPEARS FROM THE COMMISSION'S RECOMMENDATION,
1974 IMPORTS WERE TAKEN AS A BASE, THE ABOVE-MENTIONED PRINCIPLE
WHICH IS CLEARLY ESTABLISHED IN THE US ACT OF FOREIGN TRADE OF
1974, WOULD BE LEFT ASIDE.

ALSO, THIS ACTION WOULD UNDOUBTEDLY DISCRIMINATE AGAINST

THOSE COUNTRIES WHICH, BY THEIR GREATER DYNAMISM IN PROMOTING EXPORTS, HAVE SEEN THEIR SALES INCREASED IN THE LAST TWO YEARS.

VII) ACCORDING TO ARTICLE XIX OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE, SAFEGUARD CLAUSES CAN ONLY BE APPLIED IN CASES OF UNFORESEEN DEVELOPMENTS WHICH, BY DEFINITION, DO NOT EXIST WHEN THE IMPORT INCREASE IS DUE TO AN EXPORTER'S BETTER COMPETITIVE POSITION. THE APPLICATION OF RESTRICTIVE MEASURES LIKE THE ONE STATED, CONFLICTS WITH A STANDING INTERNATIONAL AGREEMENT, IN THE ELABORATION OF WHICH THE US HAD A DETERMINING INFLUENCE.

THERE ARE ALSO POSSIBILITIES WHICH WOULD BE COMPATIBLE WITH EXISTING INTERNATIONAL OBLIGATIONS AND HAVE BEEN CONSIDERED WITH RESPECT TO URUGUAY, SUCH AS THE NEGOTIATION OF A VOLUNTARY AGREEMENT ON REGULATION OF EXPORTS SUCH AS IT IS FORESEEN IN SECTION 203(A)(4) OF THE 1974 FOREIGN TRADEACT.

IX) SINCE URUGUAY IS A COUNTRY THAT HAS ONLY RECENTLY ENTERED THE US MARKET, THIS FACT SHOULD BE TAKEN INTO ACCOUNT SO THAT URUGUAYAN EXPORTS ARE NOT IMPROPERLY RESTRICTED TO AN EXCEEDINGLY LOW VOLUME THAT DOES NOT COMPORT WITH PRESENT REALITY.

X) URUGUAY WOULD BE MOST PLEASED WITH THE POSSIBILITY OF INITIATING CONVERSATIONS EXAMINING THESE POSSIBILITIES OR OTHERS WHICH MAY FACILITATE THE OBTAINING OF A SATISFACTORY SOLUTION.

THE APPLICATION OF RESTRICTIVE MEASURES ON SHOE EXPORTS FROM URUGUAY, TAKING AS A BASE A PERIOD DISTANT IN TIME AND ONE WHICH DOES NOT REPRESENT RECENT SALES, WOULD CREATE AN UNFAIR, DISCRIMINATORY SITUATION THAT WOULD BE EXTREMELY SERIOUS FOR OUR HISTORY.

URUGUAY IS HOPEFUL THAT EVERY MEANS AT THE DISPOSAL OF THE PRESIDENT OF THE UNITED STATES OF AMERICA WILL BE USED TO ENSURE A FAIR AND EQUITABLE TREATMENT OF OUR COUNTRY'S EXPORTS.
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THE MINISTRY OF FOREIGN AFFAIRS WISHES TO REITERATE TO THE HONORABLE EMBASSY OF THE UNITED STATES OF AMERICA THE ASSURANCES OF ITS HIGHEST AND MOST DISTINGUISHED CONSIDERATION. MONTEVIDEO, FEBRUARY 9, 1977. END QUOTE.
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